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C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 001305

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SUBJECT: PALESTINIAN PRIVATE SECTOR MOVES TO OPERATE GAZA CROSSINGS

REF: JERUSALEM 1296

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d)

¶11. (C) Summary: Palestinian private sector leaders in the West Bank and Gaza are promoting a variety of proposals to "privatize" the Karni/al-Mintar and Kerem Shalom crossings. Private sector representatives in Gaza reached an agreement June 20 on a plan that would authorize a newly-established private company to operate the Gaza side of Karni/al-Mintar. Ramallah discussions have focused on a proposal to allow a subsidiary of the unpopular PADICO conglomerate to run the Gaza side of Kerem Shalom. Hamas has reportedly assured the UN and Gaza businesspeople that it will stay clear of crossing operations. PA views on this proposal are decidedly mixed. End Summary.

Private Sector Leads

¶12. (SBU) In June 20 meeting in Gaza City, Palestinian businesspeople discussed how to re-open Karni/al-Mintar crossing. Palestinian Federation of Industries (PFI) Secretary General Amr Hamdan told Econoff June 21 that three

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options were discussed for operating the crossing: UN management, the previous "old team" including Presidential Guard, and a new private company established specifically for that purpose. The first two options were deemed unrealistic by the private sector group. Amr said he is preparing a letter to President Abbas on the third option. PalTrade Director General Hanan Taha told EconSpecialist June 21 that a 10-person committee plans to build support for the proposal among West Bank/Gaza leaders. Taha said that the private sector committee is being formed as a mechanism to ensure the re-opening of Karni/al-Mintar and its continued operations.

Hamas Supports

¶13. (C) Taha said that Former Minister of Economy Ala al-Aresch had told meeting participants that former PM Haniyah had advised him that he supported private sector efforts to operate the Gaza side of Karni/al-Mintar. PFI's Hamdan told Econoff that Hamas hopes to gain favor with Gaza's residents by establishing a secure environment and, thus, has an interest in seeing shipments resume.

Kerem Shalom Plan

¶4. (C) Separately, Palestine Industrial Estate Development Company (PIEDCO) General Manager Nedal Ismail told Econoff June 21 PADICO had secured agreement from PLO Chief Negotiator Sa'eb Erekat to allow a PADICO subsidiary, Wassil, to operate the Gaza side of the Kerem Shalom crossing.

(Note: Founded in 1994, PADICO, a Nablus-based holding company is the largest and most influential company in the West Bank and Gaza. Its dominance in business has alienated many Palestinians. End note.) Hamdan said he knew talks had taken place in Ramallah on Kerem Shalom and expects the deal to go through eventually, at least for initial humanitarian shipments. He added that, despite PADICO's unpopularity, he believes Gazans will accept the arrangement as the only near-term solution. Nedal and several Wassil representatives met with ConGenoffs June 25, but offered few details on what they specifically intend to do or who besides Erekat and the "President's Office" is firmly behind the initiative.

UN Pressing Ahead

¶5. (C) UNSCO Deputy Special Coordinator Kevin Kennedy told PolChief and Econoff June 22 that he had met with Hamas representatives in Gaza June 21 to discuss ways of securing a sufficient flow of humanitarian assistance (reftel). Kennedy said he had told Hamas that the preferred immediate solution among Gazans is to "bring the old people back to their old jobs" at Karni/al-Mintar, both management and security. Hamas agreed and promised to stay away from the crossings so that they may resume operations, according to Kennedy. He noted that the UN has often had to deal with objectionable individuals and governments to order to deliver humanitarian

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assistance. He said he intends to return to Gaza the following week and will keep in close touch on this efforts.

PA Views

¶6. (C) PA views on the future of the Gaza crossings are mixed. PLO Chief Negotiator Erekat has expressed support for the private sector efforts in conversations with the Consul General. However, PM Fayyad has been more reserved, noting concerns about corruption if the private sector (especially the powerful PADICO) takes over the crossings. Fayyad told the Consul General that he believes the general approach adopted by the PA toward its employees in Gaza should also apply to the crossings: those employees loyal to the PA and not subject to intimidation by Hamas should report to work. Fayyad admits, however, that it is not clear if PA employees at the crossings can function without intimidation by Hamas.

¶7. (C) Comment: All of the various proposals under discussion have advantages and disadvantages. A coordinated PA approach will be essential to make sense of the different proposals. Israeli views will also have a significant impact on the future of the crossings. In our view, the priority now should be on finding temporary solutions to allow sufficient shipments to resume to meet Gaza's urgent humanitarian needs, rather than putting in place new permanent arrangements that could have unintended consequences (e.g. corruption) over the long term.

WALLES